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FM AMEMBASSY KINGSTON
TO RUEHC/SECSTATE WASHDC PRIORITY 7790
INFO RUEATRS/DEPT OF TREASURY WASHDC
RUEHSP/AMEMBASSY PORT OF SPAIN 5199
RUEHWN/AMEMBASSY BRIDGETOWN 7490
RUEHGE/AMEMBASSY GEORGETOWN 2393
RUEHBE/AMEMBASSY BELMOPAN 0008
RUEHPU/AMEMBASSY PORT AU PRINCE 3144
RUEHCV/AMEMBASSY CARACAS 0565
RUEHLO/AMEMBASSY LONDON 0580
RUEHOT/AMEMBASSY OTTAWA 2390
RUMIAAA/CDR USSOUTHCOM MIAMI FL
RUEHDG/AMEMBASSY SANTO DOMINGO 6035

UNCLAS KINGSTON 000514

SIPDIS

SENSITIVE

DEPT PASS TO WESTERN HEMISPHERIC AFFAIRS DIPL POSTS FOR INFO

DEPT PASS TO EC CARICOM COLLECTIVE FOR INFO

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STATE FOR WHA/CAR (DHOFFMANN) (BALVARADO) (VDEPIRRO) (WSMITH)
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INR/RES (RWARNER)
SANTO DOMINGO FOR FCS AND FAS
TREASURY FOR ERIN NEPHEW
USTDA FOR NATHAN YOUNG AND PATRICIA ARRIAGADA
OPIC FOR ALISON GERMAK

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AORC, JM, XL

SUBJECT: JAMAICA: FRUSTRATION GROWS OVER FREEDOM OF MOVEMENT,
NON-TARIFF TRADE
BARRIERS IN CARICOM, GROWTH OF ALBA AND OECS

REF: KINGSTON 508

Summary

1. (U) As the Caribbean Community (CARICOM) prepares for its July 2 summit in Guyana, the Government of Jamaica (GOJ) finds itself increasingly frustrated and at odds with its partners in the 36 year old organization, especially the regional economic powerhouse of Trinidad and Tobago. Particularly rankling has been the Government of Trinidad and Tobago (GOTT)'s efforts to join with the Organization of Eastern Caribbean States (OECS) to create an economic union by 2011 and to achieve full political integration by 2013. The GOJ is concerned that these goals suggest that the GOTT and other member states are not fully committed to the future success of CARICOM. Similarly, GOJ perceives the participation of CARICOM members Dominica, St. Vincent and the Grenadines, and Antigua and Barbuda in the Venezuela-led Bolivarian Alternative for the People of our America (ALBA) as evidence of a lack of faith in CARICOM. Finally, efforts on the part of Barbados to expel

undocumented immigrants and GOTT's non-tariff barriers to Jamaican imports have also irritated the GOJ and exacerbated its sense of economic frustration during the current global downturn. End Summary.

12. (U) Many in GOJ appear increasingly skeptical as to whether CARICOM membership has been beneficial to Jamaica's economic interests. Recent developments suggest an absence within CARICOM of a shared vision of the future, of a region splintering into new interregional relationships, driven by differing levels of development among CARICOM states and a growing sense of protectionism and insularity in response to the global economic crisis. In particular, Jamaica's frustration with its own economic travails appears to be boiling over into finger-pointing at its CARICOM partners.

Background

13. (U) Following the collapse of the West Indies Federation in 1962 as a result of Jamaica's withdrawal, the Caribbean Free Trade Association (CARIFTA) was established in 1965 to provide for a continued economic relationship among

the countries of the English-speaking Caribbean. The 1972 Treaty of Chaguaramas transformed CARIFTA into CARICOM and committed the organization to promoting economic integration and cooperation among the organization's members, dispersing economic benefits equitably, and coordinating foreign policy. The Grand Anse Declaration, negotiated in Grenada in 1989, committed the organization to the establishment of a Caribbean Single Market and Economy (CSME). In 2001, a revised Treaty of Chaguaramas established a Caribbean Court of Justice to mediate disputes and established 2006 as the year the CSME would go into effect, although as of 2009 most of the now 15 member states have yet to realize these goals. Jamaica, as the GOJ is quick to point out, is one of the few CARICOM states to have met all CSME requirements.

Petty Over Patties

14. (U) GOJ's frustrations toward CARICOM have become palpable in recent weeks. As Jamaica's economy stalls and the ruling Jamaica Labour Party (JLP)'s budgetary and anti-crime measures remain mired in Parliament, government leaders and media commentators alike have targeted their frustrations at CARICOM in general and the GOTT in particular. A recent spat between GOJ and GOTT over non-tariff barriers came to a head in May when a refrigerated container full of Jamaican patties was detained in Trinidad and Tobago for several weeks while GOTT customs officials inspected the Jamaican production facilities before allowing the meat-filled pastries into the country. (Reftel)

¶5. (U) The imbroglio was finally settled through behind-the-scenes negotiations between Jamaican and Trinidadian ministers, but Karl Samuda, GOJ's Minister of Industry, Investment and Commerce, decried the incident, maintaining that intraregional trade should be conducted through established CARICOM standards and regulations, not through the personal interventions of ministers. Although GOTT maintained that non-tariff barriers such as health and safety requirements were legitimate under CARICOM agreements, Samuda implied that the GOJ would consider trade retaliation if the issue recurred. In a newspaper interview several days later, Samuda reiterated his threat: "Make no mistake about it. I have signaled that reciprocal or

appropriate action to protect the interests of the Jamaican manufacturing community will be taken immediately," should GOTT continue to impose non-tariff barriers on Jamaican exports.

Freedom of Movement Threatened?

¶6. (U) Under the revised Treaty of Chaguaramas, CARICOM member states were to have allowed freedom of movement within the community by 2008, although the deadline was later postponed until 2009. The organization adopted a common passport in 2005 to facilitate intra-regional and interstate travel, and as of 2009, 12 of the 15 states had introduced the new machine-readable design. However, few member states have implemented the legislation and regulations necessary to realize the organization's freedom of movement goals, although the GOJ is quick to point out that they are among the few to have done so. Prime Minister Golding has gone so far as to suggest that the other CARICOM states are deliberately dragging their feet in implementing the agreement; "if that is the case," he has said, "let us revisit the treaty."

¶7. (U) The immigration and deportation policies of Barbados have drawn most of the GOJ's ire. The Government of Barbados (GOB) recently ordered CARICOM nationals living in the country to regularize their status within six months or face deportation, a policy widely seen as targeted toward nationals of Jamaica, Guyana, and St. Vincent and the Grenadines. Antigua, with 42,000 noncitizens among its 70,000 residents, has a similar policy. GOJ has also expressed concern over reports of rude and/or harsh treatment by Barbadian authorities toward Jamaicans visiting or living in that country.

GOTT's Energy Subsidies

¶8. (U) GOJ's perception of GOTT's de facto subsidization of its industries through cheap energy has raised hackles as well. With its own energy costs at around USD0.31 per kWh, GOJ has described the US\$0.03-4 per kWh

energy costs
enjoyed by manufacturing interests in oil-rich Trinidad and Tobago
as a
subsidy prohibited by CARICOM's National Treatment clause. To level
the
playing field, GOJ has called on GOTT to provide Jamaica with

Liquified
Natural Gas (LNG) at the same prices enjoyed by Trinidadian
producers. GOTT,
on the other hand, has balked at the transportation and
liquification costs
that this would entail, and contends that its domestic energy costs
are shared
with all domestic consumers, not simply the commercial sector, and
as such do
not constitute a subsidy.

OECS

¶9. (U) Established in 1981, the six eastern Caribbean island states
that are
full members of the OECS present themselves as a microgroup within
CARICOM and
the CSME. In August 2008, GOTT, Grenada, St. Lucia, and St. Vincent
and the
Grenadines announced their intention to establish an economic union
within
CARICOM by 2011 and full political union by 2013, goals later
endorsed by the
full OECS membership. Should OECS succeed in this political
transformation,
the petroleum-rich GOTT would certainly dominate the new political
entity.
While CARICOM's membership could conceivably be reduced from 15 to
eight
states were political union to take place, the GOTT-led OECS would
wield even
greater economic leverage than is the case currently. While the new
entity
would comprise just over ten percent of CARICOM's population, it
would
constitute more than one-third of its collective GDP. GOTT PM
Patrick Manning
has said the initiative would allow for the Caribbean to "rekindle
the spirit"
of the West Indian Federation that collapsed in 1962. Given that it
was
Jamaica's withdrawal in 1962 that destroyed the federation, GOJ's
ambivalence
toward GOTT's rapprochement with OECS is understandable.

ALBA

¶10. (U) With the U.S.-proposed Free Trade Area of the Americas
(FTAA)
currently moribund, the Government of Venezuela (GOV) proposed the
creation of
ALBA as an international organization committed to social, political
and
economic integration in Latin America and the Caribbean. From its
inception
as a bilateral agreement between Venezuela and Cuba in 2004, ALBA
has expanded
to include several leftist Latin American states as well as CARICOM
member
Dominica. On June 24, Antigua and Barbuda, and St. Vincent and the

Grenadines
announced that they would be joining ALBA as well, while Grenada has
also
expressed interest in joining. Unlike most other economic

associations, ALBA describes itself as committed not simply to trade liberalization but to "social welfare and mutual economic aid."

"Trying to swim in this Caribbean Sea on our own"

¶11. (U) Against this backdrop, CARICOM leaders will meet in Guyana beginning July 2 to discuss the organization's future. Although Guyanese President Bharrat Jagdeo, who will take over as chairman at the conference, has called for a "reaffirmation of commitment" to CARICOM, PM Golding has warned that the organization's future was "at risk" due to what GOJ sees as repeated failures on the parts of some members to comply with the letter and spirit of the Treaty of Chaguaramas.

¶12. (U) Historically, the JLP has been more skeptical of CARICOM and the benefits of regional integration than has the opposition People's National Party (PNP), and this has been reflected in the PM's comments in the days leading up to the conference. "I do not believe that we are going to be better off trying to swim in this Caribbean Sea on our own," Golding remarked during the launch of Jamaica's Export Week. "But it is time for us to stop playing games, for us to stop mouthing integration and professing our commitment to this process when the pragmatic demonstration of that commitment is so often not being brought to the fore."

¶13. (U) Prime Minister (PM) Bruce Golding has said he would seek to address the future of CARICOM and the "destabilizing effects" of both ALBA and GOTT's proposed political union with OECS. In his June 10 remarks to an export group, Golding described the recent developments as "destabilizing and threatening the existence of CARICOM," and said that while "[t]he political integration (of Trinidad and OECS) may very well be commendable, I believe that is at the detriment to the deepening and strengthening of CARICOM."

Similarly, the PM characterized the growth of ALBA as having a "destabilizing effect" that is "going to distract (and) going to divert."

Concerns From Nongovernmental Actors

¶14. (U) Nongovernmental actors have expressed concerns over CARICOM's future as well. In his June 13 public address before the Caribbean Association of Industry and Commerce (CAIC) in Kingston, Douglas Orane, Chief Executive Officer of the respected Jamaican food conglomerate GraceKennedy, warned that "centrifugal forces are at work which could blow us off course from our vision of an integrated region." One year into the global economic recession, Orane lamented CARICOM's failure to "articulate a cohesive strategy for us to work our way through this crisis." Orane identified the organization's

primary weaknesses as an outdated decision-making structure "mired in a culture of long meetings and longer speeches," an inability to use current information to assess situations and predict the future, and the failure of most CARICOM states to meet the implementation of CSME deadlines. To reverse these trends, Orane called on CARICOM to establish a single Caribbean stock exchange and regulatory framework to facilitate the movement of capital and allow the Caribbean market to function as a single economic space, as well as "the free movement of qualified persons within the region."

¶15. (U) Echoing these concerns, Sir Shridath Ramphal of Guyana, former Commonwealth Secretary General and one of the key players in the establishment of CARICOM in the early 1970s, described the organization as "at risk" and called for "inspired leadership" in his remarks to the Conference of the Association of Judicial Officers at the CARICOM Court of Justice in Port of Spain. Singling out PM Golding for praise, Ramphal called for the region's political leaders "to be less casual about CARICOM; less minimalist in their ambition for it; less negative in their vision of it."

Conclusion -----

¶16. (U) Taken together, these events suggest an absence within CARICOM of a shared vision of the future, of a region splintering into new interregional relationships, driven by differing levels of development among CARICOM states and a growing sense of protectionism and insularity in response to the global

economic crisis. In particular, Jamaica's frustration with its own economic travails, one of the highest debt-to-GDP ratios in the region, rampant inflation, uncompetitive industries, and swelling trade deficits, appears to be boiling over into finger-pointing at its CARICOM partners. Furthermore, the increasing popularity of ALBA and OECS among several member states appears to be leading GOJ to speculate as to the strength of their commitments to CARICOM.

¶17. (U) Many in GOJ are increasingly skeptical as to whether CARICOM membership has been beneficial to Jamaica's interests. Jamaican imports from its CARICOM partners in 2008 totaled USD 1.68 billion, with reciprocal exports of just USD 66 million. Although trading partners such as Trinidad and Tobago, Barbados, and Belize maintain that the primary reason for Jamaica's trade deficit is the lack of industrial competitiveness, many in the GOJ are quick to blame non-tariff trade barriers to Jamaican goods and GOJ's subsidization of its industries through cheap energy.